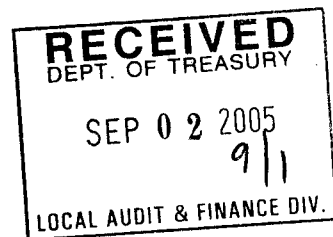


TOWNSHIP OF OTISCO
Ionia County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2005



AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Otisco	County Ionia
Audit Date March 31, 2005	Opinion Date June 28, 2005	Date Accountant Report Submitted to State: August 31, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|--|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.			
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686		City Bay City	State MI
Accountant Signature <i>Campbell, Kusterer & Co., P.C.</i>		Zip 48707	

TOWNSHIP OF OTISCO
Ionia County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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BAY CITY, MICHIGAN 48707

TEL (989) 894-1040
FAX (989) 894-5494

INDEPENDENT AUDITOR'S REPORT

June 28, 2005

To the Township Board
Township of Otisco
Ionia County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Otisco, Ionia County, Michigan as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Otisco's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Otisco, Ionia County, Michigan as of March 31, 2005, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of April 1, 2004.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF OTISCO
Ionia County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2005

The Management's Discussion and Analysis report of the Township of Otisco covers the Township's financial performance during the year ended March 31, 2005.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2005, totaled \$941,442.67.

Overall revenue was \$433,282.57. Governmental activities had a \$29,091.51 increase in net assets with major road improvements of \$80,043.00 and a loss of 5% in revenue sharing.

Taxable value increased by approximately \$3,321,578.00 or 5.9%.

We did not incur any debt.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

Total revenue of the Township was \$433,282.57 and expenses \$404,191.06 resulting in a increase of net assets of \$29,091.51 in the last year. The taxable value has increased by 5.9%.

The Township assets are \$941,442.67 with no liabilities at the end of the fiscal year.

FUND FINANCIAL STATEMENTS

There are four funds:

1. General Fund is for the Township major activities.

Revenue	261 904 43
Expenses	187 635 49
Fund Balance	558 071 50

2. Road Fund has a voted 2.0 millage source of revenue and State share telecommunication contributions.

Revenue	115 291 60
Expenses	133 577 01
Fund Balance	200 917 60

TOWNSHIP OF OTISCO
Ionia County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2005

FUND FINANCIAL STATEMENTS (continued)

3. Fire Fund has a voted 1.0 millage source of revenue with additional monies transferred from the General Fund in order to meet total expenses.

Revenue	54 443 00
Expenses	73 778 56
Fund Balance	46 079 79

4. Cemetery Fund.

Revenue	1 643 54
Expenses	6 200 00
Fund Balance	11 373 78

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

During the year the Township purchased emergency fire and rescue service at a fixed base cost of \$45,613.00 and additional per run costs of \$28,165.00. In addition the Township paid an ambulance contract of \$16,595.00.

The Township resurfaced a portion of the paved Palmer and Hawley roads at a cost of \$80,043.00.

The Township hall parking lot was reconstructed at a cost of \$12,450.00.

The two Township cemeteries had landscaping improvements of \$19,195.00.

Our cash position remains strong.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for the major portion of the Township expenses of \$187,635.49 which includes support to the Fire Fund. The Fire Fund is financed by the 1.0 voted millage and General Fund, with an expense of \$73,778.56. The Road Fund is self-supporting with the expense of \$133,577.01 this past year. The Cemetery Fund is funded by grave lot sales and interest from perpetual funds.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

During the fiscal year ended March 31, 2005, the Township had no new investment in capital assets and had no long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents 35% of our income. We continue to grow at a 5.9% rate in taxable values with little demand for infrastructure, except good roads. With the above growth rate, land use planning through our Planning Commission and Zoning Administrator remain a major activity.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Townships finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township Clerk or Township Treasurer at 616-794-3506, or 9663 W. Button Road, Belding, Michigan 48809.

TOWNSHIP OF OTISCO
Ionia County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2005

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	799 214 80
Taxes receivable	<u>17 227 87</u>
Total Current Assets	<u>816 442 67</u>
NON-CURRENT ASSETS:	
Capital Assets	155 000 00
Less: Accumulated Depreciation	<u>(30 000 00)</u>
Total Non-current Assets	<u>125 000 00</u>
TOTAL ASSETS	<u><u>941 442 67</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES	<u>-</u>
Total Current Liabilities	<u>-</u>
NON-CURRENT LIABILITIES	<u>-</u>
Total Non-current Liabilities	<u>-</u>
Total Liabilities	<u>-</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	125 000 00
Reserved for cemetery care	11 373 78
Unrestricted	<u>805 068 89</u>
Total Net Assets	<u>941 442 67</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>941 442 67</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF OTISCO
Ionia County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended March 31, 2005

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u>
FUNCTIONS/PROGRAMS			
Governmental Activities:			
Legislative	11 838 01	-	(11 838 01)
General government	131 887 91	26 349 74	(105 538 17)
Public safety	118 588 44	5 710 00	(112 878 44)
Public works	137 521 03	-	(137 521 03)
Culture and recreation	4 355 67	-	(4 355 67)
Total Governmental Activities	<u>404 191 06</u>	<u>32 059 74</u>	<u>(372 131 32)</u>
General Revenues:			
Property taxes			212 805 10
State revenue sharing			163 103 61
Interest			12 885 35
Miscellaneous			<u>12 428 77</u>
Total General Revenues			<u>401 222 83</u>
Change in net assets			29 091 51
Net assets, beginning of year			<u>912 351 16</u>
Net Assets, End of Year			<u>941 442 67</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF OTISCO
Ionia County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
March 31, 2005

<u>Assets</u>	<u>General</u>	<u>Roads</u>	<u>Fire</u>
Cash in bank	545 576 39	192 770 50	42 006 85
Taxes receivable	5 007 83	8 147 10	4 072 94
Due from other funds	7 487 28	-	-
Total Assets	<u>558 071 50</u>	<u>200 917 60</u>	<u>46 079 79</u>
<u>Liabilities and Fund Equity</u>			
Liabilities	-	-	-
Total liabilities	-	-	-
Fund equity:			
Fund balances:			
Reserved for cemetery care	-	-	-
Unreserved:			
Undesignated	558 071 50	200 917 60	46 079 79
Total fund equity	<u>558 071 50</u>	<u>200 917 60</u>	<u>46 079 79</u>
Total Liabilities and Fund Equity	<u>558 071 50</u>	<u>200 917 60</u>	<u>46 079 79</u>

The accompanying notes are an integral part of these financial statements.

<u>Other Funds</u>	<u>Total</u>
11 373 78	791 727 52
-	17 227 87
-	7 487 28
<u>11 373 78</u>	<u>816 442 67</u>

<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>

11 373 78	11 373 78
-	805 068 89
<u>11 373 78</u>	<u>816 442 67</u>
<u>11 373 78</u>	<u>816 442 67</u>

TOWNSHIP OF OTISCO
Ionia County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
March 31, 2005

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS

816 442 67

Amounts reported for governmental activities in the statement of
net assets are different because –

Capital assets used in governmental activities are not financial resources and
therefore are not reported in the governmental funds balance sheet:

Capital assets at cost
Accumulated depreciation

155 000 00
(30 000 00)

TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES

941 442 67

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF OTISCO
Ionia County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year ended March 31, 2005

	<u>General</u>	<u>Roads</u>	<u>Fire</u>
Revenues:			
Property taxes	49 628 57	108 788 62	54 387 91
Licenses and permits	8 973 31	-	-
State revenue sharing	159 310 00	3 793 61	-
Charges for services – PTAF	21 581 43	-	-
Charges for services – cemetery	-	-	-
Interest	10 009 06	-	-
Miscellaneous	12 402 06	2 709 37	55 09
	<u>261 904 43</u>	<u>115 291 60</u>	<u>54 443 00</u>
Total revenues			
Expenditures:			
Legislative:			
Township Board	11 838 01	-	-
General government:			
Supervisor	10 356 08	-	-
Elections	2 474 72	-	-
Professional services	5 294 35	-	-
Assessor	15 809 03	-	-
Clerk	11 044 24	-	-
Board of Review	986 53	-	-
General services administration	21 747 51	-	-
Treasurer	13 914 12	-	-
Building and grounds	19 502 55	-	-
Cemetery	20 666 28	-	-
Unallocated	892 50	-	-
Public safety:			
Fire protection	6 429 20	-	73 778 56
Ambulance	16 595 00	-	-
Planning and zoning	21 785 68	-	-
Public works:			
Highways and streets	2 329 80	133 577 01	-
Drains	377 50	-	-
Street lighting	1 236 72	-	-
Other:			
Payroll taxes	4 355 67	-	-
	<u>187 635 49</u>	<u>133 577 01</u>	<u>73 778 56</u>
Total expenditures			
Excess (deficiency) of revenues over expenditures	<u>74 268 94</u>	<u>(18 285 41)</u>	<u>(19 335 56)</u>
Other financing sources (uses):			
Operating transfers in	-	-	15 364 90
Operating transfers out	(15 364 90)	-	-
Total other financing sources (uses)	<u>(15 364 90)</u>	<u>-</u>	<u>15 364 90</u>

The accompanying notes are an integral part of these financial statements.

<u>Other Funds</u>	<u>Total</u>
-	212 805 10
-	8 973 31
-	163 103 61
-	21 581 43
1 505 00	1 505 00
111 83	12 885 35
<u>26 71</u>	<u>12 428 77</u>
<u>1 643 54</u>	<u>433 282 57</u>
-	11 838 01
-	10 356 08
-	2 474 72
-	5 294 35
-	15 809 03
-	11 044 24
-	986 53
-	21 747 51
-	13 914 12
-	19 502 55
6 200 00	26 866 28
-	892 50
-	80 207 76
-	16 595 00
-	21 785 68
-	135 906 81
-	377 50
-	1 236 72
<u>-</u>	<u>4 355 67</u>
<u>6 200 00</u>	<u>401 191 06</u>
<u>(4 556 46)</u>	<u>32 091 51</u>
-	15 364 90
<u>-</u>	<u>(15 364 90)</u>
<u>-</u>	<u>-</u>

TOWNSHIP OF OTISCO
Ionia County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
Year ended March 31, 2005

	<u>General</u>	<u>Roads</u>	<u>Fire</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	58 904 04	(18 285 41)	(3 970 66)
Fund balances, April 1	<u>499 167 46</u>	<u>219 203 01</u>	<u>50 050 45</u>
Fund Balances, March 31	<u><u>558 071 50</u></u>	<u><u>200 917 60</u></u>	<u><u>46 079 79</u></u>

The accompanying notes are an integral part of these financial statements.

<u>Other Funds</u>	<u>Total</u>
(4 556 46)	32 091 51
<u>15 930 24</u>	<u>784 351 16</u>
<u>11 373 78</u>	<u>816 442 67</u>

TOWNSHIP OF OTISCO
Ionia County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year ended March 31, 2005

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS 32 091 51

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense (3 000 00)
Capital Outlay

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES 29 091 51

TOWNSHIP OF OTISCO
Ionia County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Otisco, Ionia County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Otisco. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF OTISCO
Ionia County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Permanent Fund

The Cemetery Perpetual Care Fund is used to account for assets that are legally restricted.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes are accrued in the year in which they are levied. The tax levy is recorded as deferred revenue until the subsequent year when it becomes available for use.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2004 tax roll millage rate was 3.7964 mills, and the taxable value was \$56,059,868.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

TOWNSHIP OF OTISCO
Ionia County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$5,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Building

30 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Accounting Change

Effective April 1, 2004, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34). Changes to the Township's financial statements as a result of GASB No. 34 are as follows:

A Management's Discussion and Analysis (MD&A) section providing analysis of the Township's overall financial position and results of operations has been included.

Government-wide financial statements (Statement of Net Assets and Statement of Activities) prepared using the full accrual accounting for all the Township's activities have been provided.

Capital assets in the governmental activities column of the Statement of Net Assets include net assets totaling \$125,000.00.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.

TOWNSHIP OF OTISCO
Ionia County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 2 – Budgets and Budgetary Accounting (continued)

3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated three banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>799,214.80</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

TOWNSHIP OF OTISCO
Ionia County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 3 – Deposits and Investments (continued)

	<u>Bank Balances</u>
Insured (FDIC)	
Uninsured and Uncollateralized	206 373 78
	<u>655 714 91</u>
Total Deposits	
	<u>862 088 69</u>

The Township of Otisco did not have any investments as of March 31, 2005.

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	<u>Balance 4/1/04</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/05</u>
<u>Governmental Activities:</u>				
Land	65 000 00	-	-	65 000 00
Building	<u>90 000 00</u>	<u>-</u>	<u>-</u>	<u>90 000 00</u>
Total	155 000 00	-	-	155 000 00
Accumulated Depreciation	<u>(27 000 00)</u>	<u>(3 000 00)</u>	<u>-</u>	<u>(30 000 00)</u>
Net Capital Assets	<u>128 000 00</u>	<u>(3 000 00)</u>	<u>-</u>	<u>125 000 00</u>

Note 5 – Pension Plan

The Township has a defined contribution pension plan covering all full-time employees. The Township contributes an amount of each employee's annual salary to the plan. Pension expense for the fiscal year ended March 31, 2005, was \$5,820.12.

Note 6 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 7 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 – Building Permits

The Township of Otisco does not issue building permits. Building permits are issued by the County of Ionia.

TOWNSHIP OF OTISCO
Ionia County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 9 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	<u>7 487 28</u>	Current Tax Collection	<u>7 487 28</u>

Note 10 – Budget Variances

During the fiscal year ended March 31, 2005, Township expenditures exceeded the budgeted amounts in the activities as follows:

	<u>Total Budget</u>	<u>Total Expenditures</u>	<u>Excess Expenditures</u>
Fire Fund Activity: Fire protection	63 930 88	73 778 56	9 847 68

TOWNSHIP OF OTISCO
Ionia County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	49 000 00	49 000 00	49 628 57	628 57
Licenses and permits	9 000 00	9 000 00	8 973 31	(26 69)
State revenue sharing	148 000 00	148 000 00	159 310 00	11 310 00
Charges for services:				
Property tax administration	18 000 00	18 000 00	21 581 43	3 581 43
Interest	6 500 00	6 500 00	10 009 06	3 509 06
Miscellaneous	-	-	12 402 06	12 402 06
Total revenues	<u>230 500 00</u>	<u>230 500 00</u>	<u>261 904 43</u>	<u>31 404 43</u>
Expenditures:				
Legislative:				
Township Board	12 840 00	12 840 00	11 838 01	(1 001 99)
General government:				
Supervisor	9 950 00	10 450 00	10 356 08	(93 92)
Elections	7 450 00	7 450 00	2 474 72	(4 975 28)
Professional services	12 000 00	12 000 00	5 294 35	(6 705 65)
Assessor	15 350 00	15 900 00	15 809 03	(90 97)
Clerk	12 800 00	12 800 00	11 044 24	(1 755 76)
Board of Review	1 700 00	1 700 00	986 53	(713 47)
General services administration	22 600 00	22 600 00	21 747 51	(852 49)
Treasurer	14 300 00	14 300 00	13 914 12	(385 88)
Building and grounds	21 750 00	23 750 00	19 502 55	(4 247 45)
Cemetery	7 400 00	21 542 20	20 666 28	(875 92)
Unallocated	1 100 00	2 000 00	892 50	(1 107 50)
Public safety:				
Fire protection	7 000 00	7 000 00	6 429 20	(570 80)
Ambulance	18 310 00	18 310 00	16 595 00	(1 715 00)
Planning and zoning	23 550 00	23 550 00	21 785 68	(1 764 32)
Public works:				
Highways and streets	100 000 00	81 907 80	2 329 80	(79 578 00)
Drains	1 500 00	1 500 00	377 50	(1 122 50)
Street lighting	1 400 00	1 400 00	1 236 72	(163 28)
Other:				
Payroll taxes	4 500 00	4 500 00	4 355 67	(144 33)
Contingency	<u>379 380 62</u>	<u>379 380 62</u>	-	<u>(379 380 62)</u>
Total expenditures	<u>674 880 62</u>	<u>674 880 62</u>	<u>187 635 49</u>	<u>(487 245 13)</u>
Excess (deficiency) of revenues over expenditures	<u>(444 380 62)</u>	<u>(444 380 62)</u>	<u>74 268 94</u>	<u>518 649 56</u>
Other financing sources (uses):				
Operating transfers out	<u>(35 000 00)</u>	<u>(35 000 00)</u>	<u>(15 364 90)</u>	<u>19 635 10</u>
Total other financing sources (uses)	<u>(35 000 00)</u>	<u>(35 000 00)</u>	<u>(15 364 90)</u>	<u>19 635 10</u>

TOWNSHIP OF OTISCO
Calhoun County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(479 380 62)	(479 380 62)	58 904 04	538 284 66
Fund balance, April 1	<u>479 380 62</u>	<u>479 380 62</u>	<u>499 167 46</u>	<u>19 786 84</u>
Fund Balance, March 31	<u>-</u>	<u>-</u>	<u>558 071 50</u>	<u>558 071 50</u>

TOWNSHIP OF OTISCO
Ionia County, Michigan

BUDGETARY COMPARISON SCHEDULE - ROADS FUND
Year ended March 31, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	-	-	108 788 62	108 788 62
State revenue sharing	2 000 00	2 000 00	3 793 61	1 793 61
Interest	2 000 00	2 000 00	2 709 37	709 37
Total revenues	<u>4 000 00</u>	<u>4 000 00</u>	<u>115 291 60</u>	<u>111 291 60</u>
Expenditures:				
Public works:				
Highways and streets	<u>148 000 00</u>	<u>148 000 00</u>	<u>133 577 01</u>	<u>(14 422 99)</u>
Total expenditures	<u>148 000 00</u>	<u>148 000 00</u>	<u>133 577 01</u>	<u>(14 422 99)</u>
Excess (deficiency) of revenues over expenditures	(144 000 00)	(144 000 00)	(18 285 41)	125 714 59
Fund balance, April 1	<u>199 962 87</u>	<u>199 962 87</u>	<u>219 203 01</u>	<u>19 240 14</u>
Fund Balance, March 31	<u><u>55 962 87</u></u>	<u><u>55 962 87</u></u>	<u><u>200 917 60</u></u>	<u><u>144 954 73</u></u>

TOWNSHIP OF OTISCO
Ionia County, Michigan

BUDGETARY COMPARISON SCHEDULE – FIRE FUND
Year ended March 31, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	-	-	54 387 91	54 387 91
Interest	-	-	55 09	55 09
Total revenues	-	-	54 443 00	54 443 00
Expenditures:				
Public safety:				
Fire protection	63 930 88	63 930 88	73 778 56	9 847 68
Total expenditures	63 930 88	63 930 88	73 778 56	9 847 68
Excess (deficiency) of revenues over expenditures	(63 930 88)	(63 930 88)	(19 335 56)	44 595 32
Other financing sources (uses):				
Operating transfers in	42 000 00	42 000 00	15 364 90	(26 635 10)
Total other financing sources (uses)	42 000 00	42 000 00	15 364 90	(26 635 10)
Excess (deficiency) of revenues and other sources over expenditures and other uses	(21 930 88)	(21 930 88)	(3 970 66)	17 960 22
Fund balance, April 1	40 445 96	40 445 96	50 050 45	9 604 49
Fund Balance, March 31	18 515 08	18 515 08	46 079 79	27 564 71

TOWNSHIP OF OTISCO
Ionia County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2005

Township Board:	
Salaries	3 400 08
Pension	5 820 12
Miscellaneous	<u>2 617 81</u>
	<u>11 838 01</u>
Supervisor:	
Salary	9 000 00
Miscellaneous	<u>1 356 08</u>
	<u>10 356 08</u>
Elections:	
Wages	1 810 00
Miscellaneous	<u>664 72</u>
	<u>2 474 72</u>
Professional services:	
Legal	<u>5 294 35</u>
Assessor:	
Wages	14 559 00
Miscellaneous	<u>1 250 03</u>
	<u>15 809 03</u>
Clerk:	
Salary	9 999 96
Deputy	1 000 00
Miscellaneous	<u>44 28</u>
	<u>11 044 24</u>
Board of Review	<u>986 53</u>
General services administration:	
Postage	3 438 74
Supplies	1 218 19
Printing and publishing	4 148 90
Insurance	8 936 00
Miscellaneous	<u>4 005 68</u>
	<u>21 747 51</u>
Treasurer:	
Salary	12 000 00
Deputy	1 200 00
Miscellaneous	<u>714 12</u>
	<u>13 914 12</u>
Building and grounds:	
Supplies	84 35
Utilities	2 652 06
Repairs and maintenance	15 775 89
Miscellaneous	<u>990 25</u>
	<u>19 502 55</u>
Cemetery:	
Utilities	168 53
Repairs and maintenance	<u>20 497 75</u>
	<u>20 666 28</u>
Unallocated	<u>892 50</u>

TOWNSHIP OF OTISCO
Ionia County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2005

Fire protection	<u>6 429 20</u>
Ambulance	<u>16 595 00</u>
Planning and zoning:	
Fees and per diem	4 810 00
Zoning Board of Appeals per diem	1 335 00
Zoning Administrator	14 891 36
Miscellaneous	<u>749 32</u>
	<u>21 785 68</u>
Highways and streets	<u>2 329 80</u>
Drains at large	<u>377 50</u>
Street lighting	<u>1 236 72</u>
Payroll taxes	<u>4 355 67</u>
Total Expenditures	<u><u>187 635 49</u></u>

TOWNSHIP OF OTISCO
Ionia County, Michigan

COMBINING BALANCE SHEET – ALL SPECIAL REVENUE FUNDS
March 31, 2005

<u>Assets</u>	<u>Roads</u>	<u>Fire</u>	<u>Total</u>
Cash in bank	192 770 50	42 006 85	234 777 35
Taxes receivable	8 147 10	4 072 94	12 220 04
Total Assets	<u>200 917 60</u>	<u>46 079 79</u>	<u>246 997 39</u>
<u>Liabilities and Fund Balances</u>			
Liabilities	-	-	-
Fund balances:			
Unreserved:			
Undesignated	<u>200 917 60</u>	<u>46 079 79</u>	<u>246 997 39</u>
Total Liabilities and Fund Balances	<u>200 917 60</u>	<u>46 079 79</u>	<u>246 997 39</u>

TOWNSHIP OF OTISCO
Ionia County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – ALL SPECIAL REVENUE FUNDS
Year ended March 31, 2005

	<u>Roads</u>	<u>Fire</u>	<u>Total</u>
Revenues:			
Property taxes	108 788 62	54 387 91	163 176 53
State revenue sharing	3 793 61	-	3 793 61
Interest	<u>2 709 37</u>	<u>55 09</u>	<u>2 764 46</u>
Total revenues	<u>115 291 60</u>	<u>54 443 00</u>	<u>169 734 60</u>
Expenditures:			
Public safety:			
Fire protection	-	73 778 56	73 778 56
Public works:			
Highways and streets	<u>133 577 01</u>	<u>-</u>	<u>133 577 01</u>
Total expenditures	<u>133 577 01</u>	<u>73 778 56</u>	<u>207 355 57</u>
Excess (deficiency) of revenues over expenditures	<u>(18 285 41)</u>	<u>(19 335 56)</u>	<u>(37 620 97)</u>
Other financing sources (uses):			
Operating transfers in	-	15 364 90	15 364 90
Total other financing sources (uses)	<u>-</u>	<u>15 364 90</u>	<u>15 364 90</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(18 285 41)	(3 970 66)	(22 256 07)
Fund balances, April 1	<u>219 203 01</u>	<u>50 050 45</u>	<u>269 253 46</u>
Fund Balances, March 31	<u><u>200 917 60</u></u>	<u><u>46 079 79</u></u>	<u><u>246 997 39</u></u>

TOWNSHIP OF OTISCO
Ionia County, Michigan

BALANCE SHEET - PERMANENT FUND
March 31, 2005

	<u>Cemetery Perpetual Care</u>
<u>Assets</u>	
Cash in bank	<u>11 373 78</u>
Total Assets	<u>11 373 78</u>
<u>Liabilities and Fund Balances</u>	
Liabilities	<u>-</u>
Fund balances: Reserved	<u>11 373 78</u>
Total Liabilities and Fund Balances	<u>11 373 78</u>

TOWNSHIP OF OTISCO
Ionia County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – PERMANENT FUND
Year ended March 31, 2005

	Cemetery Perpetual Care
Revenues:	
Charges for services	1 505 00
Interest	111 83
Miscellaneous	26 71
Total revenues	<u>1 643 54</u>
Expenditures – Cemetery	<u>6 200 00</u>
Excess (deficiency) of revenues over expenditures	(4 556 46)
Fund balance, April 1	<u>15 930 24</u>
Fund Balance, March 31	<u><u>11 373 78</u></u>

TOWNSHIP OF OTISCO
Ionia County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year ended March 31, 2005

	<u>Balance</u> <u>4/1/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/05</u>
<u>Assets</u>				
Cash in Bank	<u>22 798 57</u>	<u>1 738 536 42</u>	<u>1 753 553 48</u>	<u>7 781 51</u>
<u>Liabilities</u>				
Due to other funds	21 571 92	225 696 91	239 781 55	7 487 28
Due to others	<u>1 226 65</u>	<u>1 512 839 51</u>	<u>1 513 771 93</u>	<u>294 23</u>
Total Liabilities	<u>22 798 57</u>	<u>1 738 536 42</u>	<u>1 753 553 48</u>	<u>7 781 51</u>

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA
KENNETH P. KUSTERER, CPA

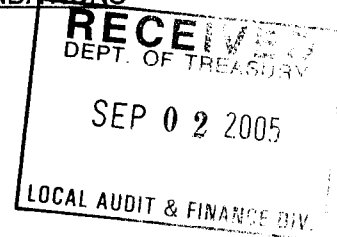
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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

June 28, 2005

To the Township Board
Township of Otisco
Ionia County, Michigan



We have audited the financial statements of the Township of Otisco for the year ended March 31, 2005. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Otisco in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board
Township of Otisco
Ionia County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

GASB 34 IMPLEMENTATION

The Governmental Accounting Standards Board issued a new reporting model for governmental units which was required to be implemented for the fiscal year ended March 31, 2005. The implementation of this pronouncement for the Township of Otisco began with the year ended March 31, 2005. The daily operations and recording transactions did not change significantly, however, the Township is required to maintain additional records for the year end adjustments to the final presentation format.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2005.

To the Township Board
Township of Otisco
Ionia County, Michigan

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants